

**BAGLEY TOWNSHIP**  
**DOWNTOWN DEVELOPMENT AUTHORITY**  
**OTSEGO COUNTY, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2004**

**AUDITING PROCEDURES REPORT**

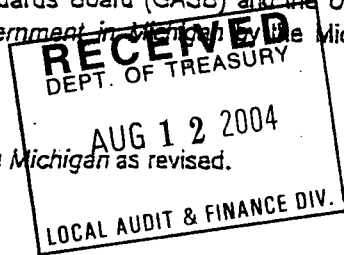
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Bagley Township Downtown Development Authority		County Otsego
Audit Date 3/31/04	Opinion Date 6/9/04	Date Accountant Report Submitted to State: 8/9/04		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

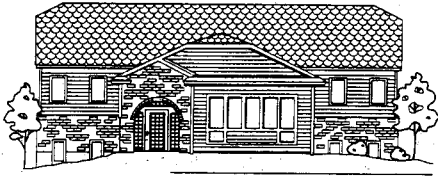
We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Keskine, Cook, Miller, Smith & Alexander, LLP			
Street Address 100 West First Street	City Gaylord	State MI	ZIP 49735
Accountant Signature <i>Rachel Irisch</i>			

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**Keskin, Cook, Miller, Smith & Alexander LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## **INDEPENDENT AUDITOR'S REPORT**

To the Bagley Township  
Downtown Development Authority  
Gaylord, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund information of the Bagley Township Downtown Development Authority, a component unit of Bagley Township, as of and for the year ended March 31, 2004, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund information of the Bagley Township Downtown Development Authority as of March 31, 2004, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as of March 31, 2004.

The management's discussion and analysis, pages 3-5 and the budgetary schedules on page 15 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Kirk Cook Miller Smith: alex D up*  
KESKINE, COOK, MILLER, SMITH & ALEXANDER LLP

June 9, 2004

**BAGLEY TOWNSHIP  
DOWNTOWN DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED MARCH 31, 2004**

This section of Bagley Township Downtown Development Authority's annual financial report presents our discussion and analysis of the entity's financial performance during the fiscal year ended March 31, 2004. Please read it in conjunction with the financial statements which immediately follow this section.

**Financial Highlights**

Our financial status improved over the last year. Assets totaled approximately \$131,000. This is an increase of 36 percent from the prior year total asset balance of \$96,000.

Overall revenues were approximately \$48,000, consistent with the prior year. Expenditures for the year totaled \$13,000; there were no expenditures in the prior year.

**Overview of the Financial Statements**

This annual report consists of three parts, management discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Authority.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Authority in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

## **Government-Wide Statements**

The government-wide statements report information about the Authority as a whole using accounting methods used by private companies. The statement of net assets includes all of the entity's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Authority's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases or decreases in the Authority's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the Authority, you may also have to consider additional factors such as tax base changes, future plans.

All of the activities of the Authority are reported as governmental activities financed solely by general revenues.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the Authority's funds, focusing on significant (major) funds not the Authority as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They also may be created by the entity's board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The entity has the following fund:

General Fund – All of the Authority's activities except those required to be accounted for in a separate fund are included in the general fund. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the entity wide statements and the fund statements, if any, are disclosed to explain the differences between them. Activities of the general fund are financed by property taxes and interest earnings.

## **Financial Analysis of the Authority as a Whole**

Net Assets – the entity's combined net assets increased 36 percent from \$96,000 to \$131,000 during the year ended March 31, 2004.

## **Financial Analysis of the Authority's Funds**

The activities of the Authority are collecting its share of property taxes and incurring legal costs related to a lawsuit that was settled during the year.

### **Capital Assets**

The Authority owns no capital assets.

### **Long-Term Debt Activity**

The Authority has no long-term debt.

### **Contacting Entity Management**

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the entity's finances and to demonstrate the entity's accountability for the revenues it receives. If you have questions concerning this report, please contact the Bagley Township Downtown Development Authority Chairman at (989)732-5924.



Kenneth Nowicki, Chairman  
Bagley Township Downtown Development Authority



**BAGLEY TOWNSHIP  
DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF ACTIVITIES  
MARCH 31, 2004**

**GOVERNMENTAL  
ACTIVITIES**

**ASSETS**

Cash	\$ 126,127
Due from Other Governmental Units	4,809
Total Assets	<u>130,936</u>

**LIABILITIES**

Liabilities	<u>-</u>
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**NET ASSETS**

Unrestricted	<u>\$ 130,936</u>
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See accompanying notes to financial statements.

**BAGLEY TOWNSHIP  
DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2004**

NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS				
PROGRAM REVENUES				
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRI- BUTIONS	CAPITAL GRANTS & CONTRI- BUTIONS	TOTAL
\$ (13,018)	\$ -	\$ -	\$ -	\$ (13,018)
GENERAL REVENUES				
	Property Taxes - TIFA			46,400
	Interest Earnings			1,144
CHANGE IN NET ASSETS				
NET ASSETS - BEGINNING OF YEAR				
				34,526
				96,410
NET ASSETS - END OF YEAR				
				\$ 130,936

See accompanying notes to financial statements.

**BAGLEY TOWNSHIP  
DOWNTOWN DEVELOPMENT AUTHORITY  
BALANCE SHEET  
GOVERNMENTAL FUND  
MARCH 31, 2004**

**MAJOR  
GOVERNMENTAL  
FUND**

**ASSETS**

Cash	\$ 126,127
Due from Other Governmental Units	4,809
Total Assets	<u>130,936</u>

**FUND EQUITY**

Fund Balance	<u>\$ 130,936</u>
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See accompanying notes to financial statements.

**BAGLEY TOWNSHIP**  
**DOWNTOWN DEVELOPMENT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**YEAR ENDED MARCH 31, 2004**

	<b>MAJOR GOVERNMENTAL <u>FUND</u></b>
<b>REVENUES</b>	
Property Taxes	\$ 46,400
Interest Earnings	1,144
Total Revenues	<hr/> 47,544 <hr/>
<b>EXPENDITURES</b>	<hr/> 13,018 <hr/>
Excess of Revenues over Expenditures	34,526
Fund Balance - Beginning of Year	<hr/> 96,410 <hr/>
Fund Balance - End of Year	<hr/> \$ 130,936 <hr/> <hr/>

See accompanying notes to financial statements.

**BAGLEY TOWNSHIP  
DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004**

**NOTE A: ENTITY**

The Bagley Township Downtown Development Authority was organized in August 1997, by the Township of Bagley, under Public Act 197 of the State of Michigan. Its purpose includes but is not limited to: the prevention of deterioration in the downtown district, the encouragement of historic preservation, the creation and implementation of development plans, to increase property values in the downtown district, and to promote economic growth therein.

**PRIMARY GOVERNMENT**

The Bagley Township Downtown Development Authority is treated as a discretely presented component unit of Bagley Township. Bagley Township acts as the primary government for the Authority; accordingly, the Authority's activity is presented in the primary government's financial statements, which are located at 2946 South Otsego Avenue, Gaylord, MI 49735.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices of the Authority are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide including required disclosures, of the Authority's financial activities.

The accounting policies of the Authority conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2002, the Authority adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Authority's financial statements has shifted from a fund focus to a government-wide focus.

**BAGLEY TOWNSHIP  
DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION**

***Government-Wide Financial Statements***

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Authority as a whole.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. The Authority has one fund and one functional activity – preservation/positive development of Bagley Township's downtown area. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Authority's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

***Fund Financial Statements***

Fund financial statements are provided for the Authority's governmental fund.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**FUND TYPE AND MAJOR FUND**

***Governmental Fund***

The Authority reports the following major governmental fund:

*General Fund* - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating activities of the Authority.

**BAGLEY TOWNSHIP  
DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Authority's entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

**Government-Wide Financial Statements**

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

**Governmental Fund Financial Statements**

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: property taxes and investment income. In general, other revenues are recognized when cash is received.

**BUDGET**

Budgets of the Authority are prepared by the board and presented to the Bagley Township Board for approval before February 1<sup>st</sup> of each year. Amendments are also approved by the Bagley Township Board as needed.

**BAGLEY TOWNSHIP  
DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BUDGET (CONTINUED)**

The budget is adopted on a fund basis using the modified accrual basis of accounting and ends on March 31<sup>st</sup> of each year. There are no carryover budget items.

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. However, there were overexpenditures during the year of \$13,018.

**PROPERTY TAXES**

Taxes represent a tax-increment financed capture and are recognized as revenue in that fiscal year. Taxes are assessed on a lien date of December 1<sup>st</sup>.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**RESTRICTED RESOURCES**

When an expense is incurred for purposes for which both restricted and unrestricted net assets available, the Authority first uses restricted net assets to fund the expense and once depleted, uses unrestricted net assets to fund the remaining expense.

**CAPITAL ASSETS AND DEPRECIATION**

The Authority owns no capital assets; consequently, no policies governing capital assets have been adopted.



**BAGLEY TOWNSHIP  
DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND  
DISCOUNTS/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

The Authority has incurred no long-term debt as of March 31, 2004.

**NOTE C: CUSTODY OF ASSETS**

All assets are under the control of the Authority. Upon dissolution of the Authority, all remaining assets revert to Bagley Township.

**NOTE D: CASH DEPOSITS**

On March 31, 2004, the Authority had bank deposits in the amount of \$84,422, with a book balance of \$126,127. The entire balance is insured by the Federal Deposit Insurance Corporation (FDIC).

**NOTE E: DUE FROM OTHER GOVERNMENTAL UNITS**

The balance due from other governmental units at March 31, 2004 relates to unremitted property tax revenues. The amounts due are as follows:

Bagley Township	\$ 28
Otsego County	4,781
Total	<u>\$ 4,809</u>

**NOTE F: INSURANCE**

Liability insurance is maintained by Bagley Township.

**BAGLEY TOWNSHIP  
DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED MARCH 31, 2004**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET</b>
<b>REVENUES</b>				
<b>Local Sources:</b>				
Property Taxes	28,200	28,200	46,400	18,200
Interest	-	-	1,144	1,144
<b>Total Revenues</b>	<u>28,200</u>	<u>28,200</u>	<u>47,544</u>	<u>19,344</u>
<b>EXPENDITURES</b>				
Professional Services	-	-	13,018	(13,018)
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>13,018</u>	<u>(13,018)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>28,200</u>	<u>28,200</u>	<u>34,526</u>	<u>6,326</u>
Fund Balance - Beginning of Year	<u>96,410</u>	<u>96,410</u>	<u>96,410</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 124,610</u>	<u>\$ 124,610</u>	<u>\$ 130,936</u>	<u>\$ 6,326</u>